Estate Planning for Women
Presented by

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Yasmin has over 20 years of experience in public accounting and specializes in helping families and individuals manage, monitor and evaluate their financial situation.
Why is it Important for Women?

• Greater Life Expectancy
  – At birth women are expected to live 4.8 years longer and 2.6 years longer at age 65

• Greater Need for Financial Resources
  – 71% of the population in skilled nursing facilities are women
  – Of the 14.3 million widows and widowers, 11.2 million are women. 53% of them are above the age of 75
Life Expectancy by Gender at birth and Age 65

Source: National Center for Health Statistics Data Brief, No. 166, October 2014
Population Age 65 and Older in Skilled Nursing Facilities

Source: U.S. Census Bureau
What is Estate Planning and its Purpose?

• A map of how you want your financial affairs handled in case of **incapacity** or **death**

• Asset preservation

• Maintain family harmony
Estate Planning

Planning for Incapacity
• Healthcare
• Property Management
• Guardians

Planning for Death
• Lifetime Gifting
• Wills
• Probate VS. Non-probate
• Trusts
• Life Insurance
Planning for Incapacity

• Living Will
  – Instructions in writing

• Health Care Proxy
  – Designate an agent to make your decisions

• Do Not Resuscitate
  – Resuscitate measures be withheld or withdrawn

• HIPPPA Authorization & Release
  – Authorizes the disclosure of the principal’s protected health information.
Planning for Incapacity

• Durable Power of Attorney
  – Designated agent makes decisions on your behalf

• Living Trust
  – Lets a successor trustee take over management of trust property

• Joint Ownership
  – Has same access to property as you do
What Happens if You Die Without an Estate Plan

- Intestacy laws vary from state to state
- Typical pattern of distribution divides property between surviving spouse and children
- Your actual wishes are irrelevant

Diagram:

- Husband/Father
  - Wife - 50%
  - Child - 25%
  - Child - 25%
Estate Planning Documents
Estate Planning Documents

• Will: Communicates wishes registered with Probate Court

• Trust: Legal relationship where property is held by one person (the Trustee) for the benefit of another (the beneficiary)
• Revocable Trust: a trust that might be amended or revoked during the grantor’s lifetime

• Irrevocable Trust: A trust that one established cannot be amended or revoked by the grantor
Estate and Gift Tax Rates
Estate and Gift Tax Rates

- Federal Estate Tax Rate: 40%
- Federal Gift Tax Rate: 40%
- Massachusetts Estate Tax Rate:
  - Slides from 5.6% (at $1M) to 16% (at $10M)
- Massachusetts Gift Tax: 0%
- Generation Skipping Tax: 40%
Assume both spouses have wills and a combined estate of $2 million.

Husband’s Estate
$1.5 million

No tax at Husband’s death

Wife’s Estate
$500,000
+ Husband’s $1.5 million

Tax at Wife’s death

Total to Family
$1.9 million

Tax = $100,000

At each spouse’s death, he or she leave the entire amount of his or her estate to the other. There is no tax in the estate of the first to die, because the entire amount qualifies for the Marital Deduction.

However, the estate of the second spouse to die is not exempt from Massachusetts estate tax because the Estate Tax Exemption is on $1 Million.

Consequently, the entire value of the property is taxed in the estate of the surviving spouse, resulting in a tax of approximately $100,000.
Will With Revocable Trust

Husband’s Estate
$1.5 Million

No tax at Husband’s Death

Family Trust
$1 Million

Marital Trust
$500,000

Taxable in Wife’s estate

Wife’s Estate
$500,000

No tax at Wife’s Death

Child #1
$667,000

Child #2
$667,000

Child #3
$667,000

Including Family and Marital Shares

In this instance, there is no tax due on the death of either spouse because the estate tax exemption is maximized through the use of revocable trusts in both estates.

By using revocable trusts, the family saves $100,000 in taxes, thus resulting in an extra $33,000 per child.
Ownership Matters!

In this instance, the estate plan does not work because all assets pass to the wife by operation of law and not pursuant to the terms of the trust. Thus, the husband's exemption was "wasted," resulting in a tax of $100,000 in the wife's estate.

Enough assets should be titled in each spouse's individual name in order to maximize each spouse's exemption.
Important Estate Planning Tools
Important Estate Planning Tools

• Lifetime Gifting
  – Annual Exclusion
  – Medical
  – Education
• Marital Deduction
• Portability
  – Not available for Generation Skipping Tax
Steps to Estate Planning Success

**STEP ONE:** Pick a winning team
- Accountant
- Attorney
- Trustee
- Financial Planning Professional
- Tax Advisor
- Insurance Professional

**STEP TWO:** Fact Finding
- Assets/Liabilities
- Insurance Plan
- Charitable Plan

**STEP THREE:** Examine the Data
- Health Care Proxies
- Trusts
- Beneficiaries

**STEP FOUR:** Recommendations
- Goals
- Power of Attorneys
- Wills

**STEP FIVE:** Create a plan
- Sign necessary documents
- Purchase necessary insurance
- Make changes as needed

**STEP SIX:** Annual review
- Keep your estate plan fresh
- Determine if current needs are being met
- Determine if future needs have been contemplated
- Review team suggestions
- Sign necessary documents
- Purchase necessary insurance
- Make changes as needed
- Keep your estate plan fresh
Estate Planning Pyramid

**CHARITABLE**
- Private foundations /public charities

**ADVANCED**
- GRIT/GRAT - Intentionally defective income trust, Personal residence trust, taxable gifts

**INTERMEDIATE**
- Family limited partnership/limited liability company
- Discounted gifting – irrevocable trust

**BASIC**
- Family income trust

**FOUNDATION**
- Wills, trusts, durable powers of attorney, health-care proxy, cash flow analysis, income tax planning, guardians, trustees, executors
The World of Estate Planning
Any Questions?

Let’s Connect!

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